

VZCZCXYZ0000  
RR RUEHWEB

DE RUEHLP #1417/01 2791731  
ZNY CCCCC ZZH  
R 061731Z OCT 09  
FM AMEMBASSY LA PAZ  
TO RUEHC/SECSTATE WASHDC 1770  
INFO RUEHAC/AMEMBASSY ASUNCION 0037  
RUEHBO/AMEMBASSY BOGOTA 6598  
RUEHBR/AMEMBASSY BRASILIA 0557  
RUEHBU/AMEMBASSY BUENOS AIRES 7763  
RUEHCV/AMEMBASSY CARACAS 4809  
RUEHPE/AMEMBASSY LIMA 5147  
RUEHMN/AMEMBASSY MONTEVIDEO 6406  
RUEHQT/AMEMBASSY QUITO 0040  
RUEHSG/AMEMBASSY SANTIAGO 0038  
RHEHNSC/NSC WASHINGTON DC  
RUEHUB/USINT HAVANA 1872  
RUCPDO/USDOC WASHDC 1368  
RHMFISS/HQ USSOUTHCOM MIAMI FL  
RUEAIIA/CIA WASHINGTON DC  
RUEKJCS/SECDEF WASHINGTON DC  
RHEFDIA/DIA WASHINGTON DC

C O N F I D E N T I A L LA PAZ 001417

SIPDIS

E.O. 12958: DECL: 09/29/2019  
TAGS: [ECON](#) [PREL](#) [PGOV](#) [EAID](#) [BL](#)  
SUBJECT: BOLIVIAN ANTIPOVERTY PROGRAMS ADDRESS REAL NEEDS  
AND POLITICAL AIMS

Classified By: Charge d'Affaires John Creamer for reasons  
1.4 (b, d)

-- -- -- --  
SUMMARY  
-- -- -- --

1. (SBU) With an overall poverty rate of 60% and with 37% of the population in extreme poverty, the government of Bolivia has made the fight against poverty a priority. Although programs may be concentrated in areas where the Movement Toward Socialism (MAS) party hopes to win during the upcoming elections, at the same time they reach a needy population. The GOB has three conditional cash transfer programs -- for retired persons, school children, and pregnant woman or those with newborns. The programs are designed to raise school attendance and lower malnutrition rates in young children and have helped lift some out of poverty. They also promote health and education, two of the most important inputs for a productive society. Financed mainly by hydrocarbons taxes and international donor support, the programs reach 30% of the population and are seen as one of the most important successes for the Morales government.

-- -- -- --  
CONTEXT -- 60% POVERTY, PREVALENT MALNUTRITION  
-- -- -- --

2. (U) Of Bolivia's almost 10 million people, almost 6 million remain below the poverty line, 3.7 million of whom live in extreme poverty. The poverty line in 2005, as defined by the GOB, was 336 Bolivianos a month (\$42) per household, with extreme poverty defined as less than 184 Bolivianos a month (\$23). Poverty is worse among the rural and indigenous populations -- 77% of the rural population are poor, and 64% live in extreme poverty; compared to 50% poverty in the urban areas, with 23% in extreme poverty. Additionally, 77% of indigenous are poor (61% in extreme poverty), compared to 59% of non-indigenous (25% in extreme poverty). Country-wide, the poorest regions are Potosi, Chuquisaca, and Pando. The wealthiest are Santa Cruz and Tarija. which possess gas reserves.

3. (U) Despite more than a decade of sustained economic

growth, the lives of poor Bolivians have not improved significantly. With a life expectancy of 65.4, many Bolivians lack access to health care and basic services. Bolivia ranks 113th out of 182 countries on the UN's 2009 Human Development Index. Although many believe that few Bolivians are dying of hunger, chronic malnutrition affects 22% of children under 5 and 42% of indigenous children are stunted due to malnutrition. Bolivia has one of the most unequal income distributions in the world. By the UN's measure of income inequality, the GINI index, Bolivia is ranked 7th worst in the world with a GINI of 58.2, behind only a handful of African countries, Colombia, and Haiti.

-----  
GOB'S ANTIPOVERTY PLAN -- "PLAN VIDA"  
-----

¶4. (U) The GOB has put forward a "Plan Vida" to address multiple social and economic factors that contribute to poverty. The plan consists of a variety of programs in five key areas: productive development, food and nutrition, housing and basic services, access to health care education, and legal rights, and the development of community and social organizations. The plan is ambitious and includes a wide variety of programs, including fortified food supplements and the issuance of ID cards and birth certificates free of charge (without an ID you cannot receive benefits from many other programs). Although the plan has good intentions, implementation is slow.

¶5. (U) The GOB has been most successful in implementing conditional cash transfers, called "bonos," to improve access

to food, nutrition, health care and education. The bonos do not exclusively target the most impoverished groups in society (e.g., indigenous groups or the rural poor), but they do address key areas that help to build a more productive and healthy society, thereby fighting poverty. GOB social spending is approximately 2.5% of GDP, falling in the middle range of other countries in the region, and just slightly lower than what the World Bank determines is needed to eliminate extreme poverty. In early October 2009, the GOB announced an ambitious target of \$10 billion dollars in total social spending over the next five years. Although the details and financing remain unclear (the GOB has appealed to the World Bank and other international lenders), the announcement underscores the GOB's interest in signaling poverty reduction as a top political priority.

¶6. (C) The bono programs are financed from a combination of international donors, tax revenue from the hydrocarbons sector, revenue from GOB shares in private companies, and debt forgiveness under the HIPC (Highly Indebted Poor Countries) initiative. The Morales government has significantly increased taxes on the hydrocarbons sector in order to make use of the income from Bolivia's resources for its own people -- directing hydrocarbon revenue toward bonos and education. The Inter-American Development Bank (IDB) is currently considering \$20 million in support for Plan Vida. The World Bank is providing \$40 million for Plan Vida, \$17 million going directly to fund the bono "Juana Azuduy" (for pregnant women or new mothers) in the 52 neediest municipalities. It is believed that Venezuela also provides some financing for the bonos.

-----  
RENTA DIGNIDAD -- BONO FOR THE RETIRED  
-----

¶7. (U) Renta Dignidad began as BonoSol in 1997. The Morales government has increased its funding and lowered the eligibility age. It is a cash payment given to all Bolivians over age 60 who are not working or receiving a regular pension. Each beneficiary receives 200 Bolivianos a month (approximately \$30/month), distributed at local banks.

¶8. (SBU) Renta Dignidad benefits are funded 30% by the hydrocarbons tax and the rest by income generated by GOB

shares in private companies. However, this revenue is in jeopardy because the GOB shares in these companies was held and managed by the Administrator Pension Funds (AFP), but now the GOB is re-nationalizing some of these companies (i.e. electric companies). It remains to be seen if the GOB will continue to direct the revenue to this program or if it will be caught up in the larger GOB budget. The sustainability of funding is questionable due to this and to the fact that hydrocarbon revenues are volatile.

¶9. (U) Due to its reach and relatively large payment, Renta Dignidad has an important impact on poverty, especially in rural areas. The World Bank believes that in absence of the benefit, the extreme poverty rate for those over 65 would be 19% higher throughout the country and 31% higher in rural areas. The level of the benefit represents more than 25% of total household income for the poorest 10% of the population.

Renta Dignidad had 825,600 beneficiaries in 2008, more than 90% of the target population in both rural and urban areas, and costs more than \$250 million.

- - - - -  
BONO JUANCITO PINTO -- SCHOOL CHILDREN  
- - - - -

¶10. (U) The Bono Juancito Pinto Program is directed at school children, with the aim of increasing school attendance and completion. It was introduced by the Morales government in ¶2006. Under the program, all children who attend public schools at least 75% of the time receive 200 Bolivianos (\$30)

in a one-time payment each school year, paid at the school by the Bolivian Armed Forces. The program began for students up to 5th grade, was extended to 6th grade in 2007, and extended again up to 8th grade in 2009. In 2008 the program reached 1.8 million students and paid out \$52.5 million. The program is not offered in private school and, therefore, the recipients tend to be from the poorer population. The program seems to be effective in keeping kids in school -- the World Bank estimates school attendance rates at 96% up to 6th grade.

- - - - -  
BONO JUANA AZURDUY - PREGNANT WOMEN AND YOUNG CHILDREN  
- - - - -

¶11. (U) As part of Plan Vida, the GOB has also promulgated a Zero Malnutrition Program in order to meet the nutritional requirements of children under 5 years old. The program emphasizes pregnant and lactating mothers, and children under ¶12. It encompasses education, fortified food supplements, and improvement in health networks, with the goal of lower malnutrition rates and infant mortality. In 2009 the GOB created the Bono Juana Azurduy with a budget of \$32 million. The bono involves a payment of 1820 bolivianos (\$260) spread out over 30 months to pregnant women and mothers of children under 2, paid during periodic health check ups. Each health check up also addresses educational needs to teach the mothers proper nutrition and hygiene.

¶12. (U) The program began in the 52 most vulnerable municipalities and is being expanded to include more than 100 municipalities. The payment is equal to about 15% of the average household income of the recipients. This bono reaches the poor more effectively than the other programs as 60% of the beneficiaries are in the poorest 20% of the population. More beneficiaries are in urban areas due to access to health clinics where the payment is dispersed. Through this and other social programs, the mortality rate of children under 5 years old has dropped from 65 per 1000 children in 2005, to 57 in 2007 (and down from 84 in 2000).

¶13. (U) There is also a school breakfast program that is financed and administered by municipalities and is not nation-wide. Still, the program reaches approximately 1 million students, with a greater concentration in the urban areas.

- - - - -  
COMMENT -- THE RIGHT TARGETS?  
- - - - -

¶14. (C) None of the GOB's social protection programs specifically target people by income or poverty level, but instead aid categories of people who tend to be poor (e.g., the aged, young families, public school students). By distributing the benefits only to public school children or those that use public health clinics, beneficiaries tend to be from the poorer segments of the population. Opposition figures and some social analysts criticize the programs for providing more benefits to those areas that support the MAS, but it can be argued that MAS supporters also tend to be poorer. Which municipalities will be covered by an expansion of the Bono Juana Azurduy Program is a point of contention for the IDB. Although the World Bank financed the original 52 municipalities and believes that those were the neediest, the IDB believes that the GOB has selected areas for the expansion of the program without regard to the poverty indicators or real need. Omar Zambrano, Country Economist for the IDB, says the IDB is awaiting justification of the selection criteria before approving its \$20 million in support of the program.

¶15. (C) The World Bank and the IDB are concerned with implementation problems. Both say Plan Vida was designed by the GOB without consultation or coordination with the local governments or the various GOB agencies that will be responsible for implementation. World Bank staff believe the plan is an idealistic one, that it does have the proper goals to address Bolivia's health and education needs, but that many portions will not be carried out effectively due to lack of coordination and technical capacity. Such concerns aside, the GOB's three bono programs are having positive impacts on society and on poverty levels -- the 60% poverty rate today is down from 63% in 2004 -- and have also provided political benefits for the governing MAS.

CREAMER